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SUBJECT: VISIT OF CHINESE FOREIGN MINISTER YANG TO MONGOLIA

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¶1. (SBU) SUMMARY: During his first trip abroad since his appointment, Chinese Foreign Minister Yang Jiechi met with Mongolian officials June 30 to July 2 to forge closer political, economic, and commercial ties between the two northeast Asian neighbors. Both sides viewed this visit as a favorable continuation of the high-level political dialogue that has occurred between Mongolia and China over the past few years. END SUMMARY.

Political Developments

¶2. (SBU) On July 17, DCM and TDY PolOff Dan Nadel (notetaker) met with Mr. Tsend Batbuyan, Deputy Director of the Department of Neighboring Countries at the Mongolian Ministry of Foreign Affairs, for Mongolia's perspective on the PRC Foreign Minister's visit. Later in the day, DCM and PolOff met separately with Mr. Chai Wenrui, Chinese Embassy Counselor (DCM), and Political Counselor Sun Hongliang for their views of the visit. Chai noted that FM Yang met July 2 with Mongolian President Nambaryn Enkhbayar, Prime Minister Miegombyn Enkhbold and Chairman of the State Great Hural (Parliament) Danzan Lundeejantsan.

¶3. (SBU) Chai noted that the two FMs discussed enhancing cooperation between Chinese and Mongolian government ministries. He mentioned that there already existed a mechanism for consultation at the Vice Foreign Minister level and also for regular meetings between the respective foreign ministries' Asia departments. More broadly, there have been several senior visits over the past two years in both directions, including visits to China by Mongolia's President and Prime Minister. For example, Liang Guanglie, a member of China's Central Military Commission and Chief of the General Staff of the Chinese People's Liberation Army, visited Mongolia in late May, and Zhang Xiaoqiang, the Vice Minister in Charge of the National Development and Reform Commission, visited in June.

¶4. (SBU) According to Batbuyan, one of the most significant results of Yang's visit was the beginning of a process of reviewing and examining the roughly 80 bilateral agreements currently in force between Mongolia and China. Legal experts in both governments plan to study these agreements and suggest amendments in order to better synchronize and, in some cases, update them.

¶5. (SBU) Batbuyan said the GOM also raised the issue of opening two

additional consulates in China, in the cities of Urumqi in the Xinjiang Uygur Autonomous Region, and Shenzhen in Guangdong Province. [Note: In addition to its embassy in Beijing, Mongolia currently operates two consulates in China in the cities of Hohhot and Erlian Hot, both in adjacent Inner Mongolia. End Note.] The Chinese indicated that they were willing to consider this request.

¶16. (SBU) Given the importance of transportation to landlocked Mongolia, Batbuyan noted that the two parties discussed the continuing need to conclude an agreement between Russia, Mongolia, and China on issues involving transit between these countries. The Foreign Ministers pledged to sign such an agreement at the earliest opportunity.

Strengthening Economic and Commercial Ties

¶16. (SBU) Chai noted that China has been the single largest investor in Mongolia for the past nine years, and has been Mongolia's number one trading partner for the past eight years. During that time, China has invested over US\$600 million in Mongolia, and total trade between the two nations in 2006 was valued at US\$1.5 billion.

¶17. (SBU) The Chinese Foreign Minister used his visit to promote greater access for Chinese commercial interests in Mongolia -- particularly in the mining sector -- and he did not come empty-handed. According to Chai, under the largest agreement concluded during the visit, China agreed to donate 50 million Yuan (over \$6.6 million) to the Mongolian government. According to Chai, the focus of the grant is yet to be agreed, but some of the funds will be spent on the development of a sports complex, and it is possible that other funds will be spent on development of a new housing district. Under a second agreement, China pledged to donate 10 million Yuan (over \$1.3 million) to support joint archaeological research and excavation in Mongolia.

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¶18. (SBU) And finally, a Memorandum of Understanding was concluded between the Mongolian Academy of Sciences and the Chinese Seismological Institute, under which the two institutions agreed to cooperate on scientific research, and China pledged to provide equipment to monitor seismic activity in Mongolia.

¶19. (SBU) For its part, the Mongolian government asked for greater Chinese investment in infrastructure, particularly focused on roads and railways. The Chinese agreed last year to loan the Mongolian government US\$300 million to build a hydroelectric plant on the Eegin River.

Media Response

¶10. (U) Both during and after the visit, Chinese and Mongolian news outlets expressed optimism for improved relations and discussed further potential for mutually beneficial cooperation. Picking up on the statements of both foreign ministers, the press made much of the fact that this Mongolia visit marked the first of Yang's tenure as Foreign Minister.

¶11. (U) Chinese media reaffirmed China's recognition of Mongolian autonomy, a historical sore point between the two countries and one Minister Yang hastened to salve. Many Chinese news sources called attention to Speaker Lundeejantsan's acquiescence with the "one China" policy and President Enkhbayar's recognition of China as Mongolia's largest trading partner.

¶12. (U) Mongolian news sources also focused on the fact that this was Minister Yang's first visit in his capacity as Foreign Minister and the first visit of such a high-ranking Chinese official in six years. Most outlets focused mainly on the perception of what assistance China can provide for Mongolia, particularly in the areas of infrastructure, trade, mining, security, and education.

Additional Topics of Discussion

¶13. (SBU) According to Chai, the two foreign ministers did not discuss military issues in part because these issues were discussed during the recent PRC PLA Chief of Staff's visit. But Batbuyan noted that Mongolia is interested in developing military and technical cooperation with China, and during the meetings between foreign ministers, both sides confirmed a mutual interest in developing greater cooperation in those sectors in the future.

¶14. (SBU) In the realm of higher education, the Chinese government currently provides scholarships for 220 Mongolian students annually to study in China. Chai noted that the Mongolians were pleased that an increasing number of such scholarships were being made available. The neighboring Chinese region of Inner Mongolia also has its own program to provide scholarships to Mongolian students, covering costs for 100 students each year.

¶15. (SBU) According to Batbuyan, the Chinese did not raise the issue of bias or ill treatment of Chinese living in Mongolia. Batbuyan noted that many construction companies employ Chinese and other foreign workers. Such workers enter on a one-month visa, and then overstay and become illegal laborers. He said that the two sides are in communication regarding this problem, but it did not arise as a topic of conversation during the Yang's visit.

¶16. (SBU) According to Chai, the Mongolian government expressed interest in assisting in the 6-Party Talks with North by playing host to one of the associated working groups. (NOTE: In a separate July 18 meeting with Japanese DCM Kobayashi, Kobayashi said he understood the GOM was interested in hosting the working group related to normalizing relations between the DPRK and Japan.)

Comment

¶17. (SBU) Both the Chinese and Mongolian governments viewed the visit as a great success. Chai noted the great importance that China places on maintaining good neighborly relations, and spoke of the visit as building a solid basis for greater mutual trust and further partnership and cooperation. Indeed, Presidential Foreign Policy Advisor Tsogtbaatar's personal analysis of the visit was that it reflected Yang's view that China had not paid sufficient attention to the relationship in recent years and had deliberately

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sought to rectify this situation. End Comment.

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